

RECOMMENDATIONS FOR IMPROVING TAXPAYER COMPLIANCE AND DEPARTMENT ADMINISTRATION

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■ TAXPAYERS' CONCERNS AND SUGGESTIONS TO DEPARTMENT

On June 19, 2001, the Indiana Department of Revenue conducted its twelfth Annual Public Hearing in accordance with the Taxpayer's Bill of Rights since it was adopted in 1989. State Revenue Commissioner Kenneth L. Miller presided at the Indianapolis meeting. As in previous years, taxpayers were provided the option of attending the hearing in person or submitting written comments.

Military Deduction

A retired Air Force Master Sergeant wrote to point out that the average military retirement age for military is 38 years of age. He noted that the \$2,000 Military Service Deduction couldn't be taken until age 60 and felt that "it would only be fair to allow these individuals to claim this reduction from the date of their retirement, and not need to wait till they are the age of 60."

A second letter was also received on the same subject; the taxpayer said, "it is unfair for the State to continue to tax my retired military income." He also stated that he knew of no other state that taxed military retirees.

Disability Exemption

A Hoosier taxpayer wrote to say that he appreciated the \$5,200 disability exemption, but now that he is 65 he no longer qualified. He did point out that he qualified for other exemptions due to his age, but he received a better tax break with the disability exemption. He also noted that "in your fairness and kindness, consider extending the \$5,200 disability exemption for 65 and over without age cut off." The taxpayer received information from the Department that explained the history of the disability retirement deduction (IC 6-3-2-9), which was passed by the Indiana General Assembly in 1985. This deduction is based on the same criteria used by the Internal Revenue Service (IRS) to figure their disability deduction. One of the limitations used by the IRS, and subsequently by Indiana, is that an individual must not have reached

age 65 before the end of the tax year. This is because once the individual reaches age 65, the disability is taxed under the federal pension rules. In most instances, Indiana mirrors federal guidelines.

Indiana Partnership Long Term Care Policy Premiums Deduction

A taxpayer wrote regarding the Indiana Partnership Long Term Care Policy Premiums Deduction, a new deduction on the 2000 individual income tax return. This deduction is available for the amount of premiums paid during 2000 for Indiana Partnership long term care insurance, but is restrictive since the policy must contain language that it qualified under the Indiana Long Term Care Program for Medicaid Asset Protection.

■ IMPROVEMENTS IN THE TRAINING OF DEPARTMENT EMPLOYEES

Audit Division

Regional seminars were presented to the instate auditors and the out-of-state auditors as part of the Audit Division's Continuing Education Program during the fiscal year ending June 2001. Topics presented included Domestic and Foreign Source Dividends, New Gross Income Tax Regulations, Financial Institutions Tax, Charity Gaming Audit Techniques, Safeguarding Federal Tax Information and Statistical Sampling.

The Special Tax auditors held their annual meeting in November 2000. The discussion subjects included Verification of Payment in the Fuel Tax System, Using the Internet for Tax Forms, Report Writing and Tax Court Cases.

A group of Special Tax Auditors were hired at the beginning of the fiscal year. They were trained in auditing Motor Carrier, International Fuel Tax Agreement and International Registration Plan and report writing.

Personnel Division

Overview

During the period of July 1, 2000, through June 30, 2001, the Training Team presented 145 classes to a total of 1,769 participants.

Accomplishments/Highlights

Sessions were offered in the following topics:

ABCs of Discrimination for Employees
ABCs of Discrimination for Supervisors
AR 1 (Accounts Receivable)
AR 2
AR 3
AR 4
AR Special Needs
Cultural Diversity
Customer Service
Effective Writing
E-mail Basics
Kids in a Drug-free Society
Myers-Briggs Type Indicator/Interpersonal Dynamics
New Employee Orientation 101
New Employee Orientation 102
New Employee Orientation for Intermittent Employees
Performance Appraisal
Progressive Discipline
RPS Advanced (Returns Processing System)
RPS Basics
RPS Intermediate
Supervisory Training Series
TIPS Inquiry (Taxpayer Information Profile System)

New classes or newly revised classes included:

AR 1
AR 2
AR 3
AR 4
AR Special Needs
Effective Writing
E-mail Basics
Kids in a Drug-free Society
Myers-Briggs Type Indicator/Interpersonal Dynamics
Supervisory Training Series

The most important project of the year was the development of four levels of AR classes. During the period, 29 AR classes were offered to a total of 428 students.

Three trainers received certification to teach the Kids in a Drug-free Society (KIDS) series of classes.

All trainers were trained in two new software programs for tracking/scheduling training. Trainers completed data entry of all available training records for all current Revenue employees.

Current Project Highlights

Classes under development or in revision as of the end of the annual review period:

ABCs of Discrimination for Employees
ABCs of Discrimination for Supervisors
Customer Service
Sexual Harassment Prevention for Employees
Sexual Harassment Prevention for Supervisors
Train the Trainer
Violence in the Workplace for Employees
Violence in the Workplace for Supervisors
Additional topics for Effective Writing
Additional topics for Supervisory Training Series

The Sexual Harassment component of the Quarterly ABCs of Discrimination class is being split off to be a separate class. This will allow the emphasis that the subject deserves. A Sexual Harassment refresher is also in the works.

Trainers are in the process of developing new RPS scenarios so that classes may resume. Classes affected include RPS Inquiry, RPS Basics, RPS Intermediate, and RPS Advanced.

The training curriculum and the training catalog are being prepared.

■ IMPROVEMENTS IN TAXPAYER COMMUNICATION AND EDUCATION

2001 marked the Department's first venture into area high schools in a number of years, working to familiarize students with the various available filing methods and the importance of accuracy and timeliness on tax returns. The ease of use of the Department's web site was also stressed, since many high school students need to file their returns early for financial paperwork for college applications.

Flyers advertising the Department's Web site and the most efficient ways to file were mailed to all Indiana high schools, as well as colleges, universities and vocational schools. Train the Trainer seminars were conducted by the Department on two Indiana college campuses to train students to train other volunteers in tax assistance.

Outreach continued with the tax practitioner community through quarterly focus group meetings with CPA's, as well as membership on the QFIT (Quality for Indiana Taxpayers) Board. These groups provide valuable feedback on how the Department's notices and correspondence are perceived by Indiana taxpayers. These groups also provide insight into tax and programming trends. They provide meaningful feedback and alert the Department to programming errors and oversights.

Again this year as in the past, a training hand book was developed and distributed by the Public Affairs staff for the Volunteer Income Tax Assistance and Tax Counseling for the Elderly Programs (VITA/TCE). This program reaches approximately 22,000 people, who receive income tax preparation at various sites around the State. In addition, a Public Affairs staff member serves as a trainer for VITA/TCE volunteers.

Again this year, the Taxpayer Advocate Office provided large print tax forms, audiotapes and instructions for the IT 40 for sight-impaired taxpayers; and TDD telephone service continued to be available for hearing-impaired taxpayers.

■ INCREASES IN THE ENFORCEMENT CAPABILITY OF THE DEPARTMENT

The Criminal Investigation Division is currently involved in a cooperative effort with the Indiana State Police Motor Carrier Enforcement Division targeting oversize/overweight permit violations. The Division has recently purchased the necessary supplies to enable all I.S.P. Motor Carrier Inspectors to conduct dyed fuel inspections.
